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IN THE  
**Supreme Court of the United States.**

OCTOBER TERM, 1937.

No.  **1**

**GENERAL TALKING PICTURES CORPORATION,**

*Petitioner,*

vs.

**WESTERN ELECTRIC COMPANY, INC., ELECTRICAL RE-  
SEARCH PRODUCTS, INC. AND AMERICAN TELEPHONE  
AND TELEGRAPH COMPANY,**

*Respondents.*

**BRIEF FOR RESPONDENTS IN OPPOSITION TO  
PETITION FOR WRIT OF CERTIORARI.**

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IN THE  
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**No. 357.**  
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GENERAL TALKING PICTURES CORPORATION,  
Petitioner,

VS.

WESTERN ELECTRIC COMPANY, INC.,  
ELECTRICAL RESEARCH PRODUCTS,  
INC. and AMERICAN TELEPHONE AND  
TELEGRAPH COMPANY,  
Respondents.

**BRIEF FOR RESPONDENTS IN OPPOSITION TO  
PETITION FOR WRIT OF CERTIORARI.**

**Statement.**

These are three separate suits for patent infringement, based upon different patents for inventions in vacuum tube amplifiers which have been used in wire telephony, radio telephony, talking motion pictures and other fields. There are seven of these patents in all. The several suits were tried together below and will be treated as a single case here.

The District Court (Southern District of New York)<sup>1</sup> and the Circuit Court of Appeals for the Second Circuit in a unanimous opinion,<sup>2</sup> concurred in holding that six of these patents were valid and had been infringed by petitioner in its use of the amplifiers complained of. The seventh patent was held invalid by both Courts. The petition involves only the patents that were held valid below.<sup>3</sup>

There is no conflict of decisions between Circuit Courts of Appeals with regard to any of these patents. Nor is there any unsettled question of general or public importance involved in this case.

### Reasons Advanced by Petitioner for Granting Certiorari.

Three questions of law are urged by petitioner as reasons for granting certiorari. A fourth reason advanced is merely that the questions of law are of public importance.

The first two of these questions are not involved in this case at all. The third was decided by both Courts below in accordance with precedent.

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<sup>1</sup> (III, 1683-1692).

<sup>2</sup> (III, 1712).

<sup>3</sup> The inventions of all of the patents were made while the art of amplification was still in its infancy. The latest of the inventions was made in 1916. Two of the patents have already expired (II, 616, 628), two will expire in 1939 (II, 621, 637) and two in 1940 (II, 641, 644). Also, two of the patents were sustained in earlier suits (No. 1,231,764, II, 616, in *Western Electric Co. et al. v. Wallerstein*, 60 F. (2d) 723; No. 1,426,754, II, 621, in *Radio Corp. et al. v. Bunnell, et al.*, 22 F. (2d) 847).

## POINTS I and II.

The first two questions of law stated in the petition are not involved in this case.

These questions, as stated in the petition, are: (1) whether the owner of a patent can, by means of the patent, restrict the use made of a device manufactured under the patent after the device has passed into the hands of a purchaser in the ordinary channels of trade and full consideration paid therefor, and (2) whether a patent owner can, merely by a "License Notice" attached to a device made under the patent, and sold in the ordinary channels of trade, place an enforceable restriction upon the purchaser thereof as to the use to which the purchaser may put the device.

These questions are not involved in this case because the amplifiers in question were manufactured and were sold to petitioner by a company which, *as both knew at the time, had no license to make those sales*. Those sales were therefore an *infringement* of the patents and conveyed to petitioner no rights whatever under the patents.

The facts are these. The manufacturer which made these infringing sales to petitioner was American Transformer Company. It had a license under the patents in suit, but that license was expressly limited in Paragraph 1 (III, 1415) to the right—

"to manufacture \* \* \*, and to sell *only* for radio amateur reception, radio experimental reception, and radio broadcast reception \* \* \*".

Or, stating it generally, the Transformer Company's selling rights under that license were *confined* to selling the patented amplifiers for *private* or *home* uses, as distinguished from *business* or *commercial* uses, such, for example, as used in equipment for talking picture theatres. It had no license to sell the amplifiers for these business or commercial uses.



An *exclusive* license in this commercial field was held by respondents, Western Electric Company and Electrical Research Products, Inc., both of which are subsidiaries of respondent, American Telephone and Telegraph Company, the owner of the patents in suit (II, 1208). One of the businesses in which they were actively engaged under that exclusive license was that of supplying talking picture equipment to theatres.

Petitioner was a competitor in that business. It was *for use in that business* that it purchased the patented amplifiers here in controversy from the American Transformer Company, *in spite of the fact that that company had no license to sell amplifiers for such a use.* And in that transaction both parties were acting with the full knowledge of the facts; *both knew of the use for which the amplifiers were sold, and both knew that the Transformer Company was not licensed to make such sales.*<sup>1</sup>

Accordingly, those sales and petitioner's subsequent leasing of those amplifiers to theatres, were *deliberate infringements*—just as much so as if the Transformer Company had had no license at all. As was held by the Court of Appeals (III, 1724)—

"It was beyond the scope of the American Transformer Company's license to sell the amplifiers for the use for which it sold them to defendants. The sale was therefore an infringement and not a licensee's lawful sale."<sup>2</sup>

Thus it clearly appears that the first two questions of law referred to in the petition are not involved in this case in any way. We are not concerned with any question

<sup>1</sup> Petitioner's admission (I, 325); the findings of both Courts below (III, 1723, 1627-8).

<sup>2</sup> *St. Louis v. Sanitary Co.*, 178 Fed. 923, 927 (C. C. A. 8); *General Electric Co. v. Continental Lamp Works*, 280 Fed. 846, 851 (C. C. A. 2); *Radio Corp. v. Cable Corp.*, 66 F. (2d) 778, 782 (C. C. A. 2); *Robinson on Patents*, Secs. 915, 916; *Walker on Patents*, Sec. 347.

regarding the enforcement of restrictions upon patented articles after a licensed sale, or after a sale by the patent owner himself. For here the sale by which petitioner acquired the amplifiers in question was *beyond the scope of the seller's license* and therefore was an *unlicensed sale—an infringement*. Accordingly, petitioner is in exactly the same position and just as much an infringer as if petitioner had made the amplifiers itself or had purchased them from another who had no license at all.

Petitioner repeatedly states that full consideration was paid by it for the infringing amplifiers. The only consideration paid by petitioner was paid to American Transformer Company, which, as we have seen, was also an infringer and had no right to sell the amplifiers or to receive any consideration therefor.

The District Court and the Circuit Court of Appeals were clearly right in dismissing the license defense and in holding petitioner to be an infringer.

Although academic so far as this case is concerned, it is nevertheless true that restrictions on the use of patented articles, imposed by the patentee, or by a licensee having an unrestricted right to sell the patented article, and brought to the knowledge of the vendee at the time of sale, have been uniformly upheld by this and the lower Federal Courts<sup>1</sup> except only in cases where the restrictions themselves were clearly improper and against public policy, as, for example, restrictions on the *resale price* at which the patented article may be sold<sup>2</sup> and restrictions

<sup>1</sup> See the opinions below III, 1629-1637, 1723, 1724; also *Mitchell v. Hawley*, 16 Wall. 544; *Porter Needle Co. v. National Needle Co.*, 17 Fed. 536, 537 (C. C. Mass., Lowell, J.); *Dickerson v. Tinsling*, 84 Fed. 192 (C. C. A. 8); *Dickerson v. Matheson*, 57 Fed. 524 (C. C. A. 2); *General Electric Co. v. Continental Lamp Works*, 280 Fed. 846, 851 (C. C. A. 2); *Skee Ball Co. v. Cohen*, 286 Fed. 275, 276, 277 (E. D., N. Y.); *Radio Corp. v. Andrea*, 90 F. (2d) 612, 614, 615 (C. C. A. 2).

<sup>2</sup> *Bauer v. O'Donnell*, 229 U. S. 1; *Straus v. Victor Talking Mch. Co.*, 243 U. S. 490; *Boston Store v. Am. Graphophone Co.*, 246 U. S. 8.

that the patented article cannot be used except with unpatented supplies purchased from the patentee.<sup>1</sup> Such restrictions have been held to be—as they clearly are—outside the monopoly and therefore unenforceable. Sharply distinguished from such restrictions are those restricting the patented device to a specified field of use. The latter are definitely within the patent monopoly and therefore enforceable. But since this point is not involved here, we shall not discuss it further.

### POINT III.

As Point III, petitioner contends that a patent which issued upon a continuing or divisional application, is invalid if the patentee or his assignee had put the invention into public use more than two years before such application was filed, even though the invention was fully disclosed in an original and copending application filed either before or within two years after the public use, and even though broader combinations of the elements of the invention were claimed in the original application.

Petitioner cites the following cases: *Westinghouse Electric v. Jeffrey-DeWitt Insulator Co.*, 22 F. (2d) 277 (C. C. A. 2); *Crown Cork & Seal Co. v. Ferdinand Gutmann Co.*, 86 F. (2d) 698 (C. C. A. 2); *Webster Electric v. Splittorf*, 264 U. S. 463; and *Chapman v. Winthroath*, 252 U. S. 126. No such proposition was decided in any of these cases, as appears from the opinions of both Courts below (III, 1680-1683; 1721-1722) and from the cases themselves.

The public use relied upon is that of respondent, American Telephone & Telegraph Company—the patentee or patent owner—in the Transcontinental Telephone Line which was first opened to the public in January, 1915.

<sup>1</sup> *Motion Picture Co. v. Universal Film Co.*, 243 U. S. 502, overruling *Henry v. Dick Co.*, 224 U. S. 1.



Petitioner refers to this public use as being a public use of the inventions of all five of the Arnold patents originally in the case (Petition, pp. 4 and 5). The inventions of only three of these patents were so used, namely, patents Nos. 1,329,283, 1,448,550 and 1,520,994, as was found by both of the Courts below (III, 1679, 1721). The last of these patents is not involved in the petition since it was held invalid by the Court below on other grounds and respondents have made no application to this Court regarding it.

Point III of the petition, therefore, need be considered only in connection with patents Nos. 1,329,283 and 1,448,550.

Both of these patents issued on continuing applications (see the patents, II, 628, 641). Patent No. 1,329,283 issued on an application filed July 30, 1918, which was a continuation of two earlier applications Serial Nos. 841,567 and 841,568, filed May 28, 1914 (II, 628); and patent No. 1,448,550 issued on an application filed February 3, 1919, which was a continuation of two earlier applications Serial Nos. 59,210, filed November 2, 1915, and 48,873, filed September 3, 1915 (II, 641). It is admitted in the petition (page 4) that the inventions of the particular combinations of elements of the claims in suit of these patents were fully disclosed in the original applications, filed in 1914 and 1915, respectively. Also, there was continuity of prosecution between the original applications and the later filed continuing applications, the continuing applications having been filed while the original applications were still pending in the Patent Office (see patents, II, 628, 641). In the case of patent No. 1,329,283, the original application was filed more than a year *before* the public use relied upon, and the original application for patent No. 1,448,550 was filed less than a year *after* the public use.

In accordance with precedent,<sup>1</sup> both Courts below overruled petitioner's contention that these Arnold patents were invalid because of this public use, and soundly distinguished the cases upon which petitioner relies (cited *supra*, page 6). Each of these cases involved intervening adverse rights of the defendant or some third party. In the present case there are no such intervening rights. Petitioner did not use any of the inventions until the year 1929.

The most important object of the patent law is to encourage the use of new inventions. If the contention made by petitioner were the law, no patentee could safely make his invention available to the public, even after he had filed a patent application fully disclosing the invention, until such time thereafter that he could be certain it would not be necessary or desirable for him to file any continuing or divisional applications to protect his invention. As stated by the Court of Appeals for the Sixth Circuit in an opinion by Judge Denison in the case of *Wirebounds Patent Co. v. Saranac*, 37 F. (2d) 830, 841,

"This case is plainly not within the Splitdorf rule,<sup>2</sup> as we understand it, either by parallelism or by strict analogy. Defendant points out, as a general analogy, that the machine and method had been in public use by the applicants, who became the patentees, and under licenses from them, all for more than two years before the divisional application was filed. This is true. When it is remembered that the divisional application is normally entitled to the benefit of the

<sup>1</sup> *Wirebounds Patent Co. v. Saranac*, 37 F. (2d) 830, 841 (C. C. A. 6); *American Chain Co. v. Franklin-New York Co.*, 34 F. (2d) 551 (E. D. N. Y.); *American Chain Co. v. Stewart-Warner Speed. Corp. et al.* (S. D. N. Y., decided September 26, 1928, Thacher, J.); *American Laundry Mch. Co. v. Prosperity Co.*, 295 Fed. 819 (C. C. A. 2).

<sup>2</sup> *Webster Electric v. Splitdorf*, 264 U. S. 463, cited by petitioner (*supra*, p. 6).



original filing date, it is not easy to see how public use under license from the applicants can amount to that laches under which adverse rights may arise; or how the Splitdorf rule can apply unless the delay is after the public appearance of an adverse claimant, or, perhaps, one who may be an adverse claimant."

On page 22 of its brief, petitioner states in effect that counsel for respondents at no time contended that broader claims than those in suit were ever made in the original applications on which these Arnold patents are based. It was clearly and definitely pointed out in respondents' brief in the Court below that, although the particular combinations of elements of the claims in suit were not specifically claimed in the original applications, broader combinations were claimed. And the Court of Appeals so found (III, 1722).

#### POINT IV.

The fourth reason advanced for granting certiorari is merely that the questions of law stated in the petition are of public importance. We have shown that two of those questions are not involved in this case and that the third has been correctly decided in accordance with precedent. Further comment on Point IV of the petition is, therefore, deemed unnecessary.

### Conclusion.

The petition for writ of certiorari fails to show any reason which should move this Court to review the carefully considered concurrent decisions of the Courts below. The case presents no unsettled question of general or public importance and no question as to which there exists a conflict of decisions of the lower Federal courts. Nor is the decision below in conflict with any decision of this Court.

The petition for writ of certiorari should be denied.

Respectfully submitted,

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